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STATISTICAL BULLETIN

Highlights

- CONSUMER DEMAND GROWTH IS FALTERING
- AS GROWTH IN EMPLOYMENT, INCOME, AND CREDIT SLOW
- BUT CONSUMER OPTIMISM REMAINS BUOYANT
- AND HOME SALES SHOW SLIGHT RECOVERY
- INDUSTRIAL OUTPUT GROWTH MAY WANE DESPITE GROWTH IN EXPORTS AND BUSINESS INVESTMENT
- INVENTORY IS PILING UP AND NEW ORDERS REMAIN WEAK
- INFLATION INDICATORS APPEAR STEADY
- OUTLOOK • GNP GROWTH WILL SLOW IN SECOND HALF OF 1988; MAY TURN SLUGGISH IN 1989

Volume 21, No. 6, June, 1988

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: A rise in exports and in business investment, combined with a steady increase in consumer demand and no pickup in inflation, produced the brisk pace in U.S. economic activity in the first half of 1988. Real GNP rose at a seasonally adjusted 3.9% annual rate in the first quarter and the consensus of the **Economic Forecasts** is for a matching second-quarter performance. Robust growth helped to push the unemployment rate down to 5½ percent. Inflation ran at a little over 3% (annual rate). In short, conditions could hardly be better. Unfortunately, they are unlikely to last.

The outlook is mixed: Slower growth is in store but there should be less to worry about on the inflation and unemployment fronts. After a seemingly endless rise, consumer demand appears to be faltering, and neither business investment nor exports are likely to continue to pick up the slack. As a result, economic growth for the second half of the year is likely to slow to a still respectable 2½% to 3% rate, according to the **Economic Forecasts**. That much growth would keep the unemployment rate from rising much, if at all. It would also reduce the odds that the economy might overheat and send inflation on a fast upward track. Increased capital investment may also have a cooling effect, by reducing the current strain on productive capacity.

DOMESTIC MARKET MONITOR

Labor market activity has cooled. And the indicators of labor demand are not signalling any resumption of strong employment growth. The unemployment rate in May was the same as in March, while total employment fell. In other words, both hiring and labor force participation (the number of people working or looking for work) declined. The average hourly pay rate also fell, a further suggestion that the demand for labor has flattened.

The Conference Board's **Help-wanted Index**, a measure of labor demand, was clearly a leading indicator of the current slowdown. It reached a level of 162 (1967 = 100) last August and was holding steady at 163 in November. Thereafter, it began to slip and by April it had fallen to 158. Early returns to the May survey indicate that the index has still not returned to last November's level.

None of this suggests that the labor market is about to go into a tailspin, however. Although employment levels fell off somewhat over the last three months, total hours worked were 0.5% higher in May than in February. And the consensus of the **Economic Forecasts** is that the unemployment rate will probably not go much above 5.5% in the second half of the year.

INCOME: Some slow income growth may be in the offing. In April, wages in commodity-producing industry were 1.7% higher than three months earlier, the same rate of increase as in the "other" industry category. But the total number of hours worked in May fell and the overall average hourly pay rate in private industry fell to $8.95 in May, from $9.16 in April.The probable overall decline in wages in May would be good news on the inflation front, but could constrain consumers' ability to increase spending.

Nonwage income growth remains more dynamic than the rise in wages. Overall, nonwage income was 2.6% higher in April than three months earlier. Interest income was only 0.4% higher, but interest rates on savings have begun to move up. Rental income continues to decline.

Consumer willingness to borrow hasn't been vigorous and may soften. The ratio of **Consumer Installment Debt Expansion to Personal Income** dipped in April. Moreover, the rise in saving rates is likely to be followed by hikes in borrowing rates. If income growth does decline, there may be a temporary bulge in the borrowing numbers but that should not be taken as a sign of a recovery in consumer willingness to borrow.

Consumer attitudes seem even more upbeat now than before the stock market crash. The Conference Board's **Consumer Confidence Index** hit 119.2 (1985 = 100) in May, compared with 115.7 last September. However, the underlying data paint a more subdued picture. The **Expectations** component (appraisal of job and pay prospects six months hence) was at 112.8 in May, compared with 112.5 last September. Moreover, the recent rise in unemployment and the drop in hourly pay rates are likely to weaken attitudes.

SPENDING: Consumer buying to date has been quite strong, spurred by strong income gains and high confidence. Retail sales, except autos, were 2% higher in April than three months earlier. And sales of durable goods, except autos, were a full 3.9% higher. If job and income growth and consumer attitudes decline, however, consumer retail spending will rise more slowly. The retail sales data may become the new "hot" numbers for market watchers.

Consumer spending on cars has already cooled considerably. New domestic **Automobile Sales** were steady at a 7.8 to 7.9 million seasonally adjusted annual rate per 10-day period in February and March. That already sluggish pace dropped to 6.8 million in April and recovered to only 7.6 million in May, despite the reintroduction of some incentives. Nor have foreign models proved much more popular with consumers: Sales of foreign models were level in the first five months of this year. Car sales are unlikely to improve in the second half of the year. In addition to fac-

Ken Goldstein, Editor

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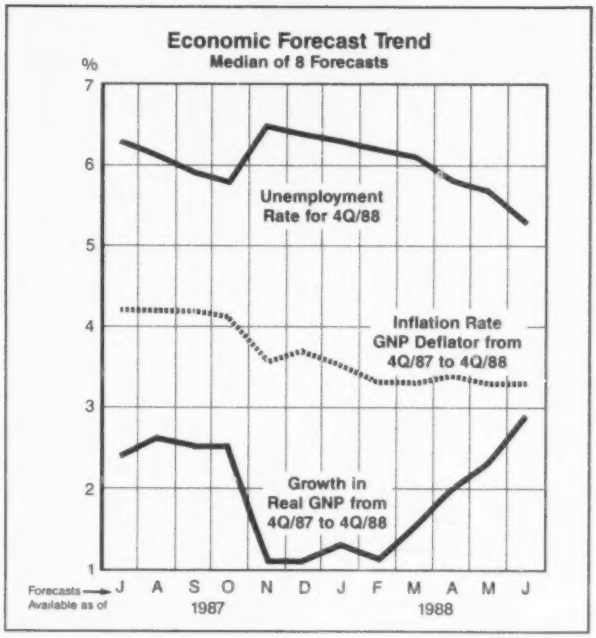


tors already mentioned, interest-sensitive car sales may be hurt if auto loan rates rise.

CONSTRUCTION: Home buying has been weaker than car buying and for a longer period. Unlike car buying, however, home buying has begun to recover. Indeed, after bottoming out in January, home sales have been increasing steadily and by April, were back to last summer's level. Even so, the median price of new homes continues to rise and now mortgage rates also are moving higher. Those factors, together with the expectation of softer consumer demand, may limit further recovery or, perhaps, kill it outright.

While the rise in consumer spending may be slowing, the data on nonresidential construction suggests that business investment is picking up. Industrial building was 19% higher in April than three months earlier. Commercial building rose more modestly and office building continued to fall. Public building and spending on roads and infrastructure are also beginning to rise.

PRODUCTION: Output growth has been strong enough to cause concern about the adequacy of productive capacity. Indeed capacity utilization rates are now in the 82% to 83% range. That's one reason why investment in new plant and equipment is booming right now. But given the meager rise in new orders, signs of a developing weakness in consumer demand, and a rise in inventory, industrial output could slow.

Given the drop in hours worked in May, industrial production probably fell that month. And, producers have already been filling old orders faster than new orders are coming in. New orders for durable goods, except defense-related, were no higher in April than last December. But shipments of filled orders rose 0.9% over the same period.

INVENTORY: Stocks on hand are rising at a time when sales may be heading for slower growth. Total inventory, except cars at the retail level, was 2.4% higher in April than three months earlier. Durable inventory, except cars, was 2.8% higher. If sales growth does slow, production schedules may have to be cut back to limit inventory pile-up.

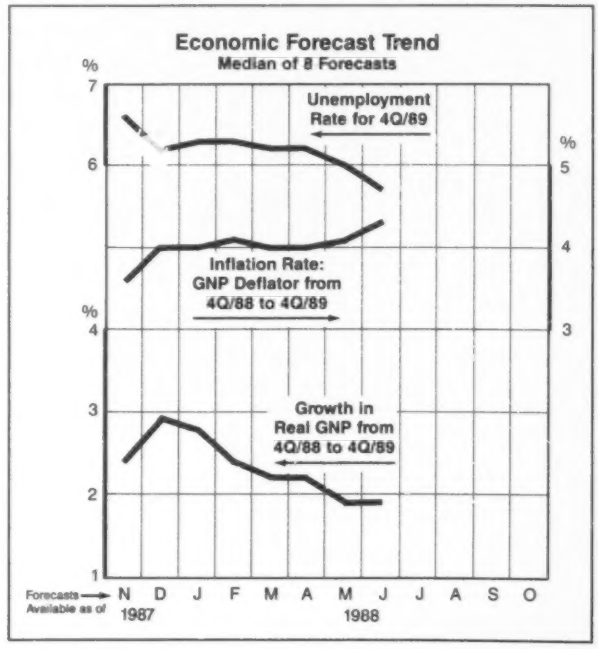
INFLATION: The consensus of the **Economic Forecasts** is that the CPI will rise by about a 4.8% annual rate by the fourth quarter of 1988. The danger of an overheating economy leading to higher inflation, never all that great, appears to have subsided somewhat. Increases in labor costs do not appear to be developing, nor are nonlabor costs picking up quickly. Raw industrial metal prices rose 1.4% in May, following a 0.9% rise in April. However, those increases were preceded by three months of falling prices and are not as high as gains in the months prior to those declines.

One area where upward price pressure may be developing is down on the farm. After a long period of little change, farm costs have edged higher and so have raw food prices. Late spring draught will not help here.

INTERNATIONAL MONITOR

Exports were 10.6% higher in March than three months earlier. And shipments of raw or semi-finished industrial output, as well as of cars and other consumer goods, rose even faster. Strong export growth is a positive factor for the trade deficit and the dollar. But any weakening of that growth would contribute to the odds in favor of a decline in domestic output growth.

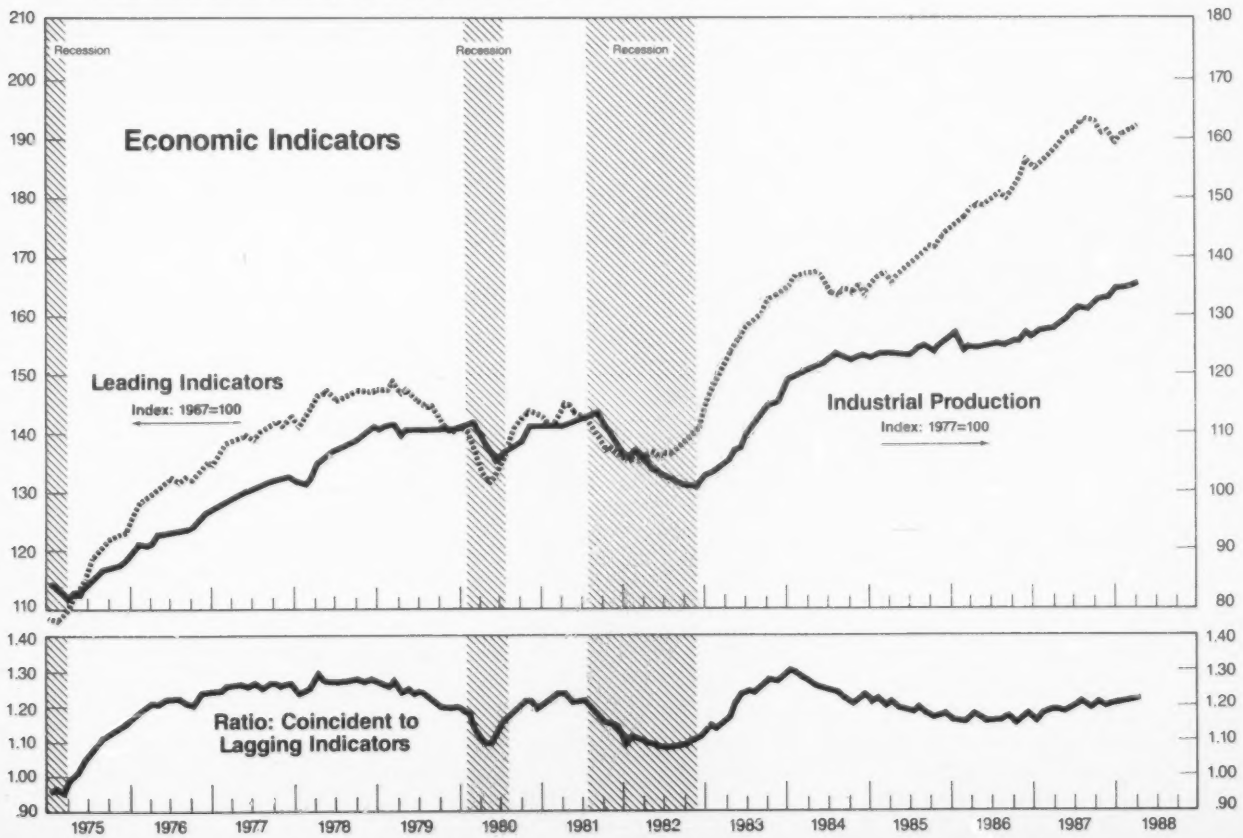
Ken Goldstein
June 10, 1988



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Apr.	X			1.9%	2.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Apr.			X	- 5.8%	11.3%
New orders, nondefense capital goods (deflated)	Apr.			X	- 6.6%	15.0%
*New business formation	Apr.			X	- 1.1%	1.0%
*Housing permits	Apr.		X		16.2%	- 9.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Apr.		X		1.8%	2.8%
*Change in inventory, on hand & order (deflated)	Mar.			X	- 8.2%	5.1%
Purchasing agents' buying policy	Apr.			X	- 2.0%	- 3.0%
*Vendor performance, reported slower deliveries	Apr.			X	- 6.0%	5.0%
Industrial raw materials prices	May	X			4.3%	10.6%
*Change in sensitive material prices	Apr.		X		- 0.1%	0.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Apr.	X			1.1%	1.1%
Change in business loans	Apr.	X			189.7%	66.0%
*Change in credit outstanding	Mar.			X	- 7.9%	1.5%
Change in consumer installment debt	Mar.			X	2.0%	31.5%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q	X			0.4%	12.0%
*Common stock prices	May			X	- 1.3%	-11.9%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.		X		0hr	0.6hr
*Initial unemployment claims (inverted)	Apr.	X			15.7%	8.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



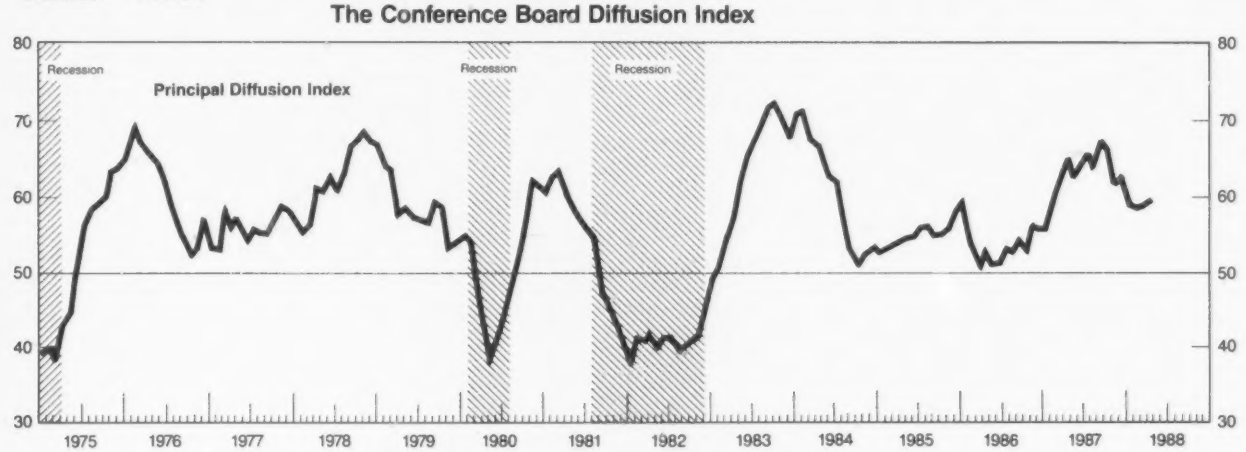
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 Apr.	1988 Jan.	Feb.	Mar.	Apr.(e)
Principal Diffusion Index	62.7	58.5r	58.2r	58.4r	59.6
Auxillary Diffusion Index	55.4	43.0r	49.1r	50.7r	53.8
Industrial Group	59.0	58.5r	58.1r	58.7r	61.0
Nonindustrial Group	66.4	58.5	58.3	58.2	58.2
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	62.8	68.8	62.8	57.3r	52.6
Labor	58.6	51.4r	55.1r	57.3r	62.4
Miscellaneous	54.2	60.9	58.3	64.1	69.9
Nonindustrial Subgroups					
Prices	82.1	64.1	60.9	57.7	55.1
Consumer	71.8	70.5	69.7	74.4r	68.4
Building	46.8	38.5	47.4	48.1	48.7
Miscellaneous	63.7	56.0	52.6	49.1r	56.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985 May	Aug.	Nov.	Feb.	1986 May	Aug.	Nov.	Feb.	1987 May	Aug.	Nov.	Feb.
	Score (scale 0-100)											
Measure of Business Confidence	52	51	55	61	61	50	51	55	55	59	47	51
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	45	53	63	61	44	50	56	55	62	50	49
2. Expectations for Economy, Six Months Ahead	53	53	56	62	62	52	51	54	53	56	43	50
3. Expectations for Own Industry, Six Months Ahead	55	54	56	59	60	54	53	56	56	58	48	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

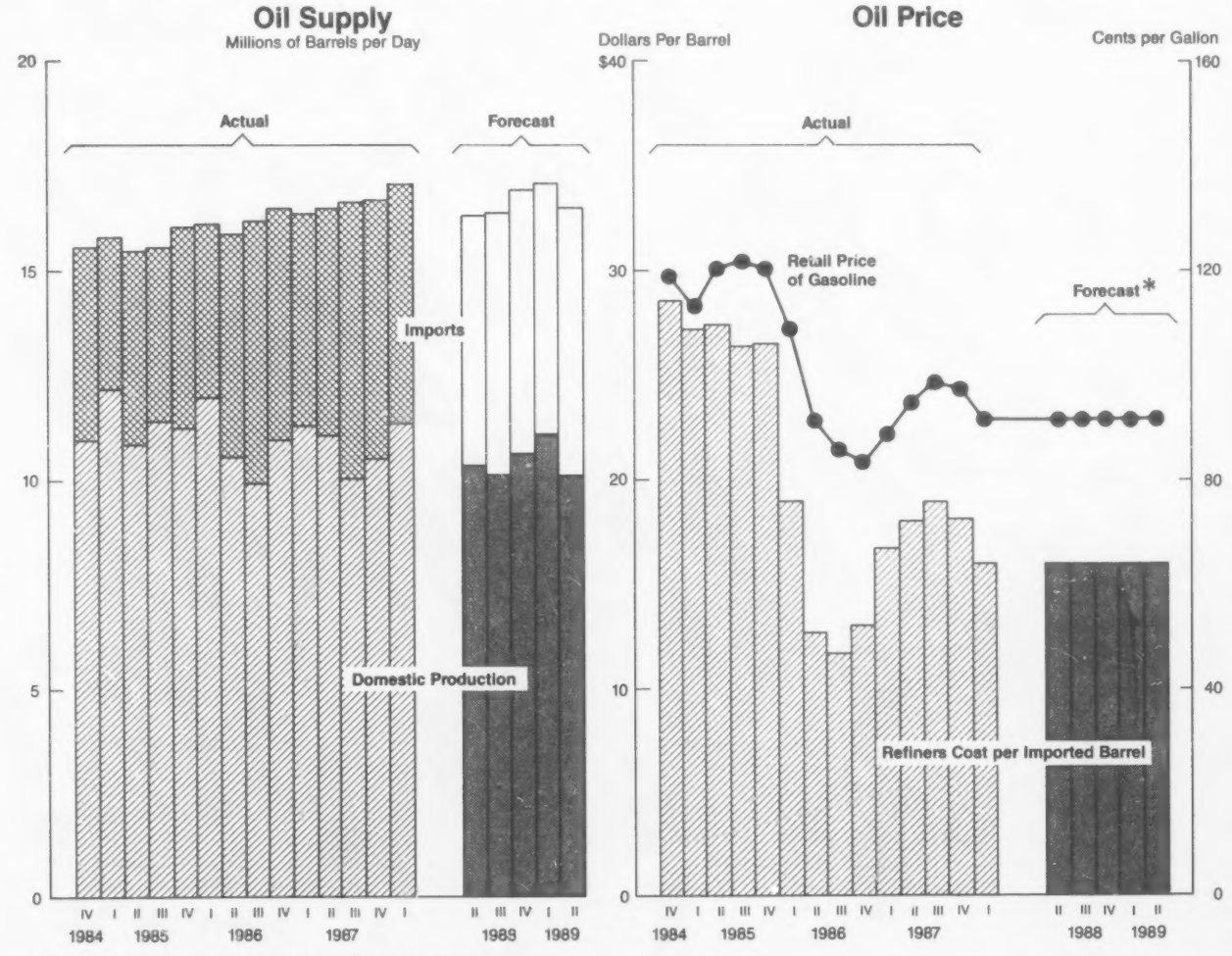
Billions of Dollars, Seasonally Adjusted

	1986			1987				Percent Change From Previous Year	
								Actual	Estimate
	II	III	IV	I	IIr	IIIp	IVp	1987	1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	19.991	20.203	22.097	21.441	32.257	29.810	33.985	31%	12%
Capital expenditures	24.309	22.452	23.299	20.801	25.933	27.491	29.328	11	18
Change in appropriations backlog*	-6.447	-5.060	-10.990	-0.550	+5.460	+0.070	+2.110		
Durable Goods									
New appropriations	9.578	10.807	10.807	9.746	16.515	18.095	19.018	55	8
Capital expenditures	11.880	12.186	12.915	11.124	14.006	14.847	15.665	17	23
Change in appropriations backlog*	-3.824	-3.986	-4.140	-2.070	+2.310	+2.930	+3.130		
Nondurable Goods									
New appropriations	10.413	10.152	11.290	11.695	15.742	11.715	14.970	24	17
Capital expenditures	12.429	10.266	10.384	9.677	11.927	12.644	13.663	6	14
Change in appropriations backlog*	-2.623	-1.074	-6.853	+1.520	+3.160	-2.890	-1.020		
ELECTRIC & GAS UTILITIES									
New appropriations	5.544	5.530	5.491	6.482r	5.569r	5.138p			
Capital expenditures	7.702	7.535	6.080	7.649r	7.032r	7.746p			
Change in appropriations backlog*	-3.840	-2.110	-1.005	-0.840r	-1.590r	-2.670p			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

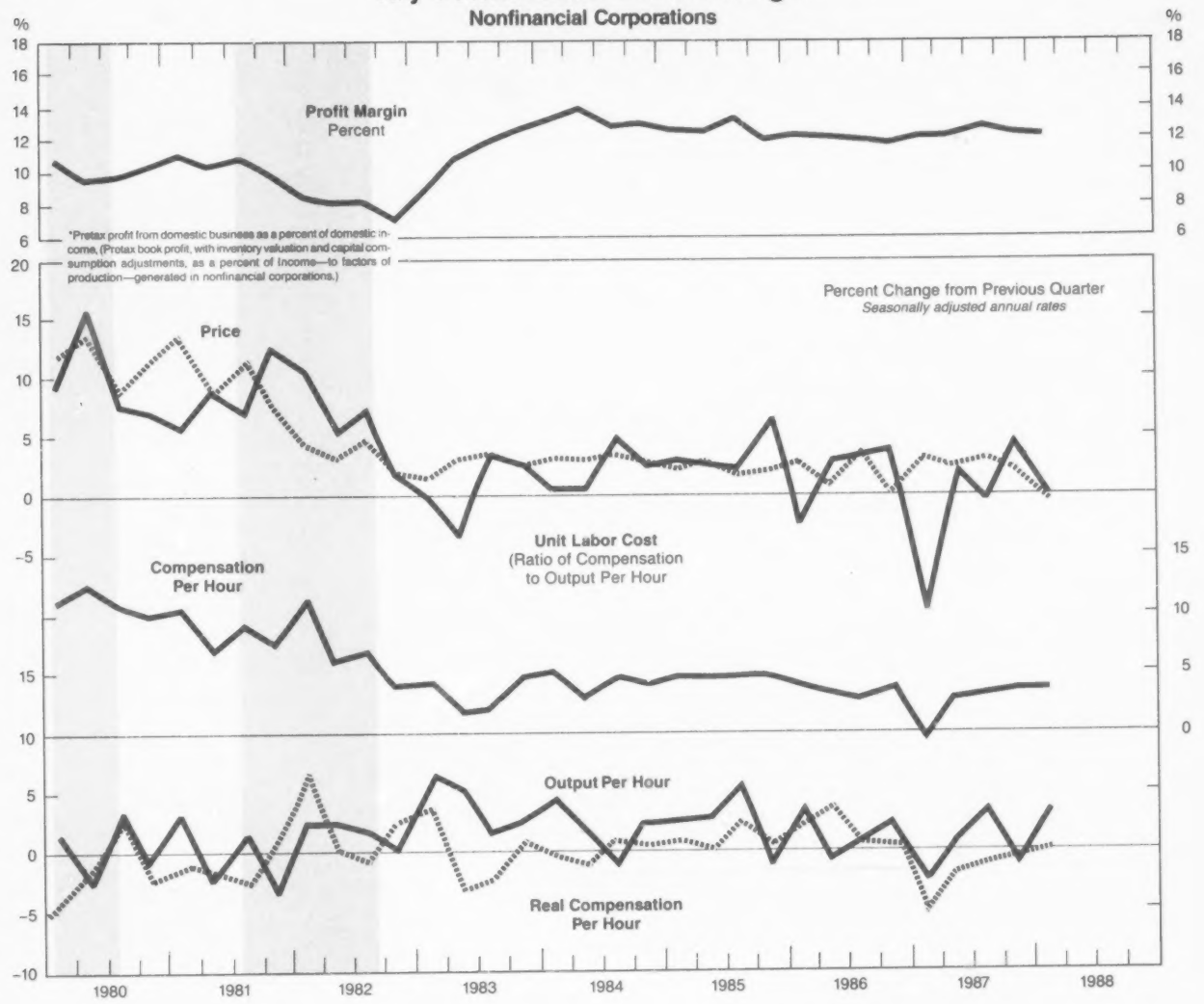
r—revised p—preliminary

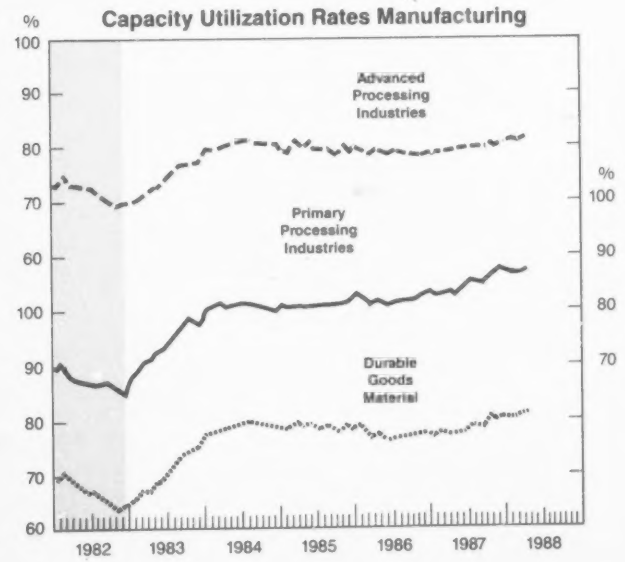
* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).



* Source of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin





ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*May, 1988*		*May, 1988*		*May, 1988*		*May, 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**I**	**$4668.7**	**5.4%**	**$4668.7**	**5.4%**	**$4668.7**	**5.4%**	**$4668.7**	**5.4%**
Forecast	1988	II	4739.0	6.2	4757.2	7.8	4751.7	7.3	4759.6	8.0
		III	4790.6	4.4	4841.7	7.3	4798.3	4.0	4842.7	7.2
		IV	4849.1	5.0	4928.5	7.4	4868.1	5.9	4915.6	6.2
	1989	I	4937.9	7.5	5014.0	7.1	4932.7	5.4	4982.5	5.6
		II	5016.3	6.5	5068.1	4.4	5025.5	7.7	5045.0	5.1
		III	5090.0	6.0	5127.7	4.8	5112.6	7.1	5102.3	4.6
		IV	5181.8	7.4	5226.7	7.9	5196.8	6.8	5170.3	5.4
	1990	I	5260.9	6.2			5283.6	6.9		
		II	5331.0	5.4			5392.1	8.5		
	1988	Annual	4761.9	6.1	4799.0	6.9	4771.7	6.3	4796.7	6.9
	1989	Annual	5056.5	6.2	5109.1	6.5	5066.9	6.2	5075.0	5.8
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**I**	**$3918.0**	**3.9%**	**$3918.0**	**3.9**	**$3918.0**	**3.9%**	**$3918.0**	**3.9%**
Forecast	1988	II	3930.1	1.2	3947.4	3.0	3927.0	0.9	3949.9	3.3
		III	3940.8	1.1	3974.5	2.8	3933.0	0.6	3979.2	3.0
		IV	3953.0	1.2	3999.7	2.6	3945.0	1.2	4002.9	2.4
	1989	I	3983.5	3.1	4020.2	2.1	3962.0	1.7	4014.9	1.2
		II	4005.7	2.2	4014.8	-0.5	3998.0	3.7	4019.9	0.5
		III	4023.4	1.8	4013.1	-0.2	4032.0	3.4	4023.9	0.4
		IV	4054.1	3.1	4045.9	3.3	4060.0	2.8	4032.9	0.9
	1990	I	4065.0	1.1			4080.0	2.0		
		II	4073.7	0.9			4113.0	3.3		
	1988	Annual	3935.5	3.0	3959.9	3.6	3930.8	2.9	3962.5	3.7
	1989	Annual	4016.7	2.1	4023.5	1.6	4013.0	2.1	4022.9	1.5
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**I**	**119.2**	**1.5%**	**119.2**	**1.5%**	**119.2**	**1.5%**	**119.2**	**1.5%**
Forecast	1988	II	120.6	4.9	120.5	4.6	121.0	6.3	120.5	4.6
		III	121.6	3.3	121.8	4.4	122.0	3.3	121.7	4.0
		IV	122.7	3.7	123.2	4.7	123.4	4.7	122.8	3.7
	1990	I	124.0	4.3	124.7	5.0	124.5	3.6	124.1	4.3
		II	125.2	4.2	126.2	4.9	125.7	3.9	125.5	4.6
		III	126.5	4.2	127.8	5.0	126.8	3.5	126.8	4.2
		IV	127.8	4.2	129.2	4.5	128.0	3.8	128.2	4.5
	1990	I	129.4	5.1			129.5	4.8		
		II	130.9	4.5			131.1	5.0		
	1988	Annual	121.0	3.0	121.2	3.2	121.4	3.3	121.0	3.0
	1989	Annual	125.9	4.0	127.0	4.8	126.3	4.0	126.2	4.2
Unemployment Rate										
Actual	**1988**	**I**		**5.7%**		**5.7%**		**5.7%**		**5.7%**
Forecast	1988	II		5.5		5.5		5.7		5.4
		III		5.6		5.4		5.8		5.3
		IV		5.7		5.3		5.9		5.2
	1989	I		5.7		5.3		6.0		5.1
		II		5.7		5.7		6.0		5.3
		III		5.7		6.2		5.9		5.4
		IV		5.6		6.0		5.8		5.5
	1990	I		5.6				5.8		
		II		5.7				5.7		
	1988	Annual		5.6		5.5		5.8		5.4
	1989	Annual		5.6		5.8		5.9		5.3

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised first quarter data.

ECONOMIC FORECASTS (continued)

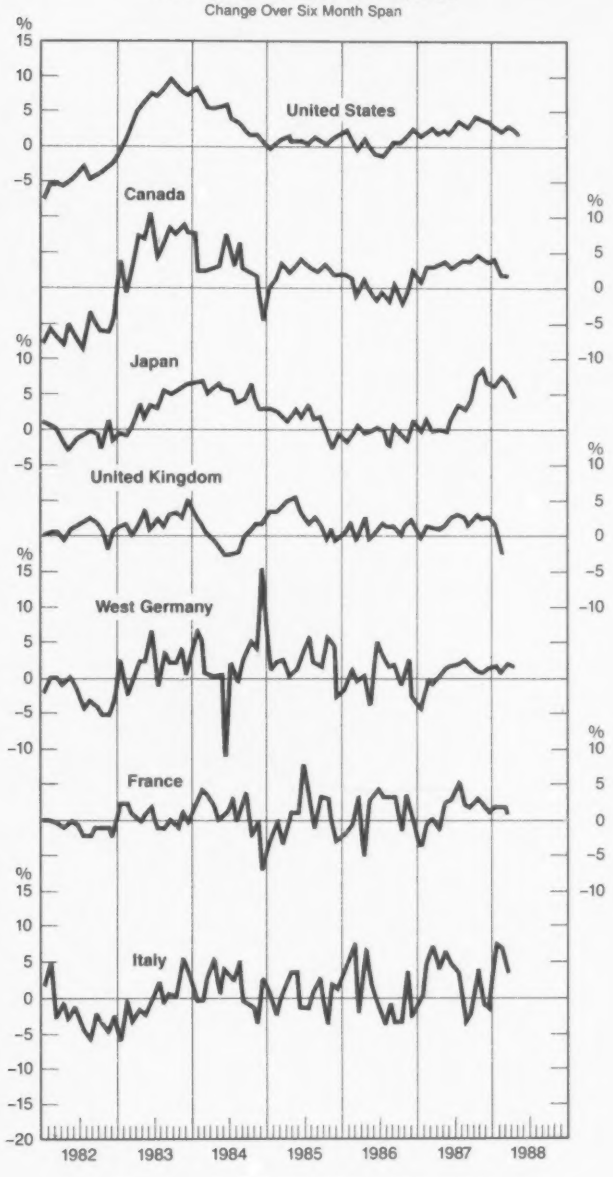
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
May, 1988		*May, 1988*		*May, 1988*		*May, 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4668.7	**5.4%**	**$4668.7**	**5.4%**	**$4668.7**	**5.4%**	**$4668.7**	**5.4%**	**I**	**1988**	**Actual**
4737.0	6.0	4741.3	6.4	4746.0	6.8	4761.2	8.2	II	1988	Forecast
4806.0	6.0	4812.5	6.1	4801.2	4.7	4837.3	6.5	III		
4894.0	7.5	4879.4	5.7	4866.2	5.5	4913.7	6.5	IV		
4962.0	5.7	4952.8	6.2	4954.0	7.4	4996.4	6.9	I	1989	
4989.0	2.2	5032.7	6.6	5026.4	6.0	5072.5	6.2	II		
5024.0	2.8	5103.8	5.8	5109.2	6.8	5143.2	5.7	III		
5078.0	4.4	5179.4	6.1	5210.3	8.2	5220.6	6.2	IV		
		5270.2	7.2	5308.6	7.8	5310.7	7.1	I	1990	
		5354.9	6.6	5402.7	7.3	5413.7	8.0	II		
4776.4	6.4	4775.5	6.4	4770.5	6.3	4795.2	6.8	Annual	1988	
5013.3	5.0	5067.2	6.1	5075.0	6.4	5108.2	6.5	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3918.0	**3.9%**	**$3918.0**	**3.9%**	**$3918.0**	**3.9%**	**$3918.0**	**3.9%**	**I**	**1988**	**Actual**
3943.2	2.6	3944.1	2.7	3936.5	1.9	3949.9	3.3	II	1988	Forecast
3965.7	2.3	3971.9	2.8	3945.7	0.9	3978.6	2.9	III		
3995.1	3.0	3995.8	2.4	3971.7	2.7	4006.8	2.9	IV		
4005.1	1.0	4017.0	2.1	4001.4	3.0	4027.2	2.1	I	1989	
3984.9	-2.0	4043.8	2.7	4020.4	1.9	4041.2	1.4	II		
3974.9	-1.0	4062.6	1.9	4047.8	2.8	4050.5	0.9	III		
3979.9	0.5	4086.7	2.4	4085.7	3.8	4061.6	1.1	IV		
		4109.5	2.3	4111.4	2.5	4075.6	1.4	I	1990	
		4132.1	2.2	4137.0	2.5	4108.7	3.3	II		
3955.5	3.5	3957.5	3.6	3943.0	3.2	3963.3	3.7	Annual	1988	
3986.2	0.8	4052.5	2.4	4038.8	2.4	4045.1	2.1	Annual	1989	
								Gross National Product deflator Index, 1982=100		
119.2	**1.5%**	**119.2**	**1.5%**	**119.2**	**1.5%**	**119.2**	**1.5%**	**I**	**1988**	**Actual**
120.1	3.3	120.2	3.6	120.6	4.8	120.5	4.7	II	1988	Forecast
121.2	3.6	121.2	3.2	121.7	3.8	121.6	3.5	III		
122.5	4.4	122.1	3.2	122.5	2.8	122.6	3.5	IV		
123.9	4.6	123.3	3.9	123.8	4.3	124.1	4.8	I	1989	
125.2	4.3	124.5	3.8	125.0	4.0	125.5	4.8	II		
126.4	3.9	125.6	3.8	126.2	3.9	127.0	4.7	III		
127.6	3.8	126.7	3.6	127.5	4.2	128.5	5.0	IV		
		128.2	4.8	129.1	5.1	130.3	5.6	I	1990	
		129.6	4.3	130.6	4.7	131.8	4.5	II		
120.7	2.8	120.7	2.7	121.0	3.0	121.0	3.0	Annual	1988	
125.8	4.2	125.0	3.6	125.6	3.9	126.3	4.4	Annual	1989	
								Unemployment Rate		
	5.7%		**5.7%**		**5.7%**		**5.7%**	**I**	**1988**	**Actual**
	5.4		5.4		5.5		5.4	II	1988	Forecast
	5.3		5.3		5.5		5.2	III		
	5.2		5.3		5.6		5.3	IV		
	5.4		5.3		5.5		5.5	I	1989	
	5.8		5.3		5.5		5.7	II		
	6.1		5.3		5.5		5.9	III		
	6.1		5.4		5.4		6.1	IV		
			5.4		5.3		6.3	I	1990	
			5.4		5.3		6.5	II		
	5.4		5.4		5.6		5.4	Annual	1988	
	5.9		5.3		5.5		5.8	Annual	1989	

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

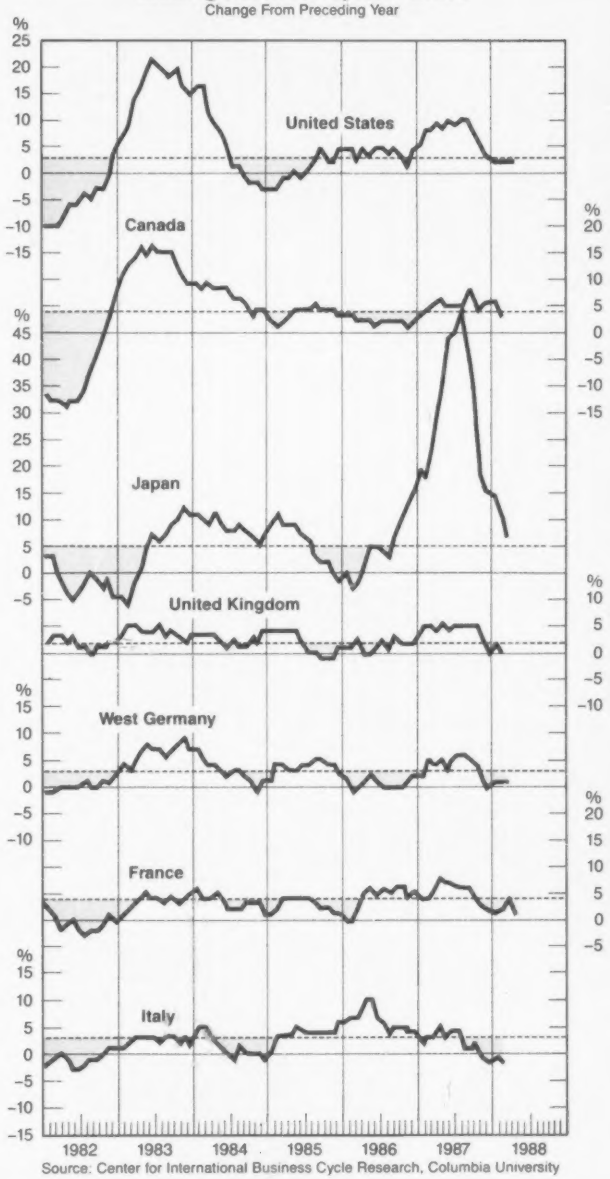
Industrial Production Indexes

Change Over Six Month Span



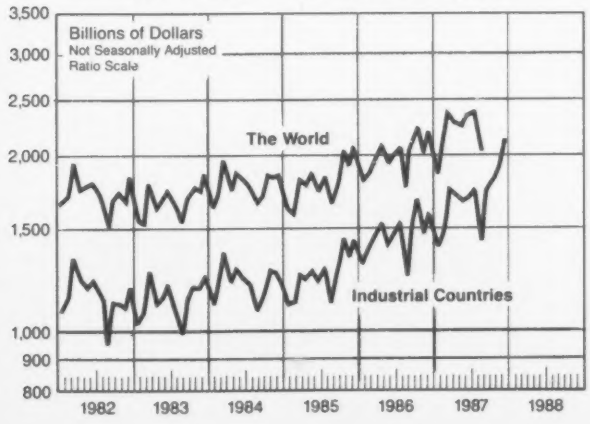
Leading Business Cycle Indexes

Change From Preceding Year

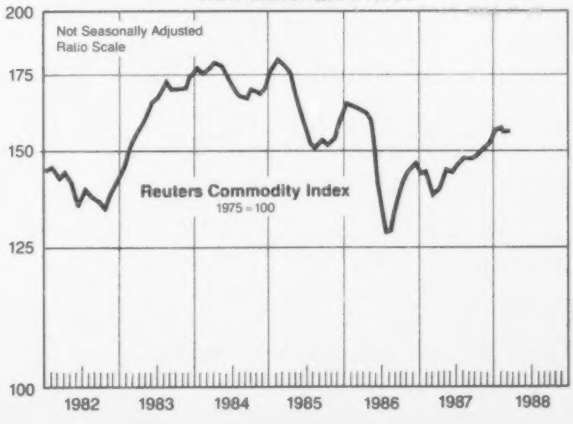


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

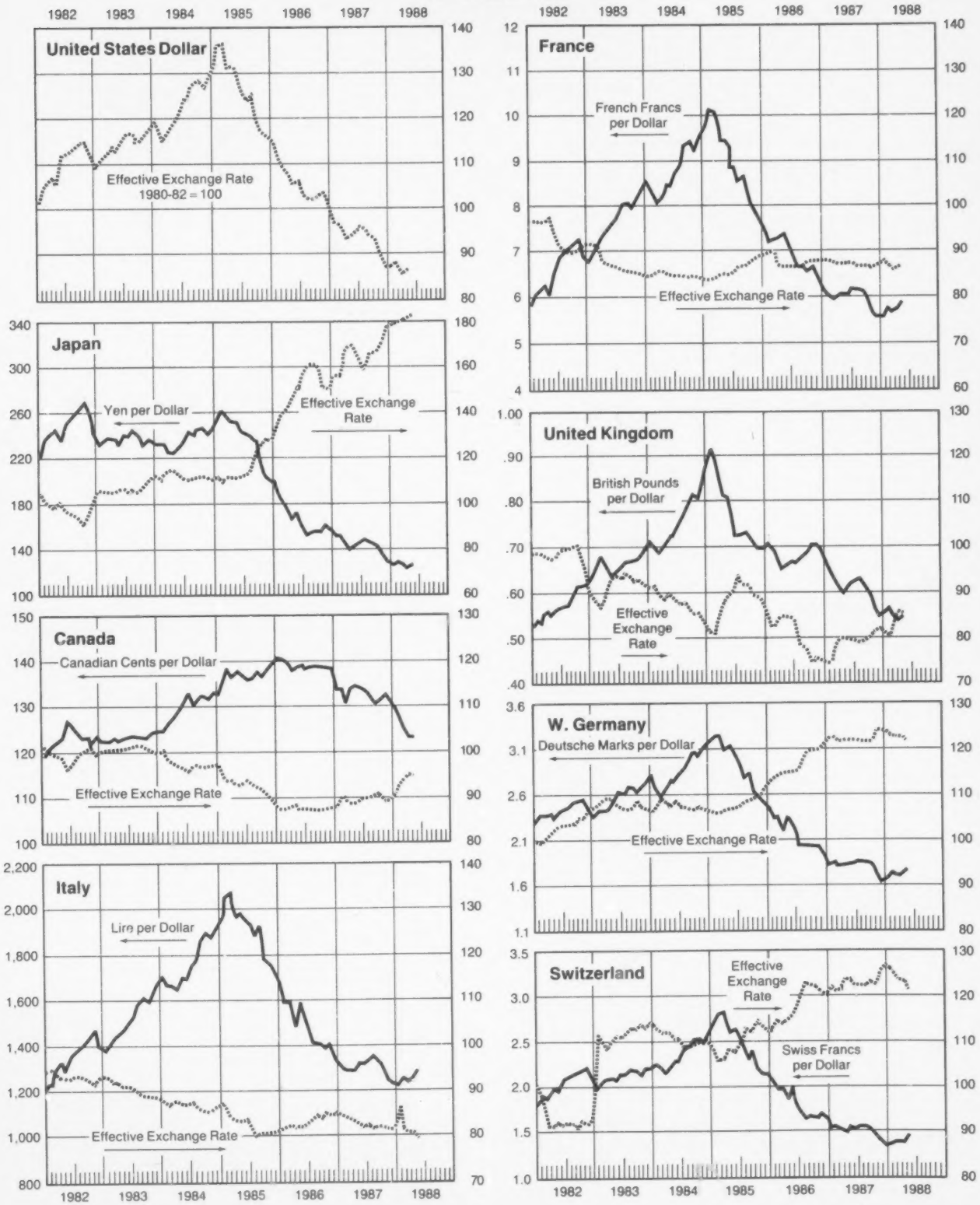


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

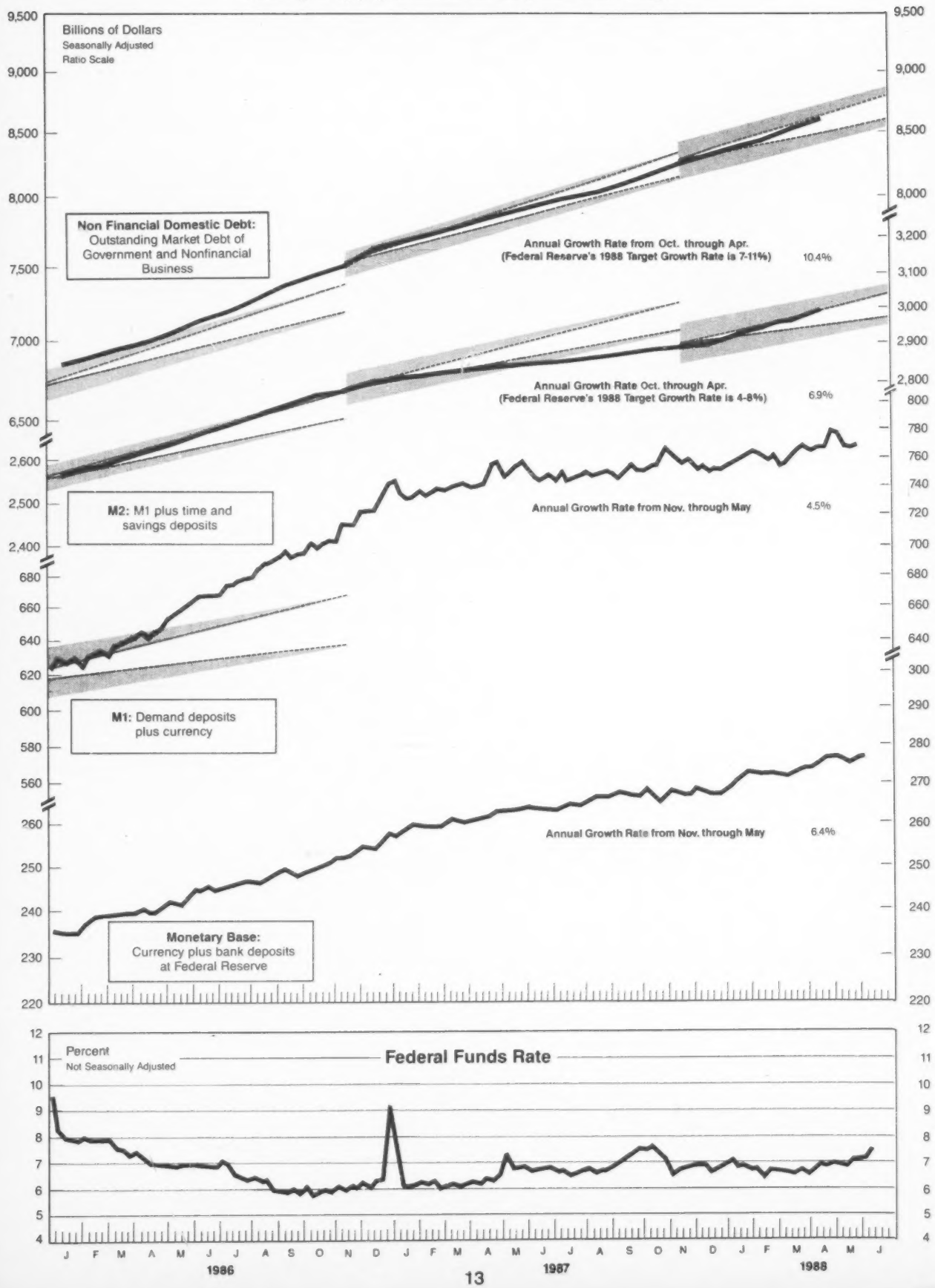
	Fiscal 1987	Fiscal 1988		Fiscal 1989	
	Actual	Administration Estimate	Congress's Estimate*	Administration Estimate	Congress's Estimate*
	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)
Receipts	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Outlays	**1,004.6**	**1,055.9**	**1,094.6**	**1,094.5**	**1,099.7**
Deficit	**– 150.4**	**– 146.7**	**– 129.4**	**– 129.8**	**– 135.3**
Receipts by source	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Individual income	392.6	393.4	412.4	412.4	412.3
Social security	303.3	331.5	354.6	117.7	354.6
Corporate income	83.9	105.6	117.7	354.6	117.5
Other receipts	74.4	78.7	80.5	80.0	80.0
Outlays by function	**$1,004.6**	**$1,055.9**	**$1,094.6**	**$1,094.5**	**$1,099.7**
Social security	282.5	298.6	319.1	317.8	320.4
National defense	282.0	285.4	294.5	294.0	294.0
Income security	123.2	129.6	137.5	135.6	138.1
Health	40.0	44.5	48.4	47.8	48.9
Education & manpower	29.7	33.7	34.5	37.4	35.4
Veterans benefits	26.8	27.7	28.0	29.6	28.4
Transportation	26.2	27.2	27.1	27.3	27.9
Agriculture	27.4	22.4	21.0	21.7	21.6
Natural resources	13.4	15.1	16.2	16.0	16.3
International affairs	11.6	9.9	16.2	13.3	16.2
General science	9.2	10.9	13.0	13.1	12.6
Justice	7.5	9.0	9.8	9.9	8.7
General government	7.6	8.8	9.7	9.5	9.4
Commerce, housing credit	6.2	12.4	7.2	7.9	9.3
Community development	5.1	6.3	6.0	5.9	6.6
Energy	4.1	2.7	3.4	3.1	4.4
Revenue sharing					
Interest	138.6	147.9	152.0	151.8	152.0
Allowances					
Offsetting receipts	– 36.5	– 38.2	– 49.2	– 47.2	– 50.5

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP					
Current Dollar	**$4,486.0**	**$4,779.0**	**$4,746.0**	**$5,113.0**	**$5,069.0**
Constant (1982) Dollar	**$3,820.0**	**$3,932.0**	**$3,908.0**	**$4,054.0**	**$4,010.0**
Percent change in					
Current dollar	5.9%	6.5%	5.8%	7.0%	6.8%
Constant (1982) dollar	2.9%	2.9%	2.3%	3.1%	2.6%
Implicit price deflator	3.3%	3.9%	3.4%	3.7%	4.1%
Consumer price index	4.6%	4.3%	4.5%	3.9%	4.9%
91-Day T bill rate	5.8%	5.3%	6.2%	5.2%	6.7%
Unemployment rate	5.8%	5.8%	6.2%	5.5%	6.1%

*Congressional Budget Office

Money Supply and Monetary Growth Targets



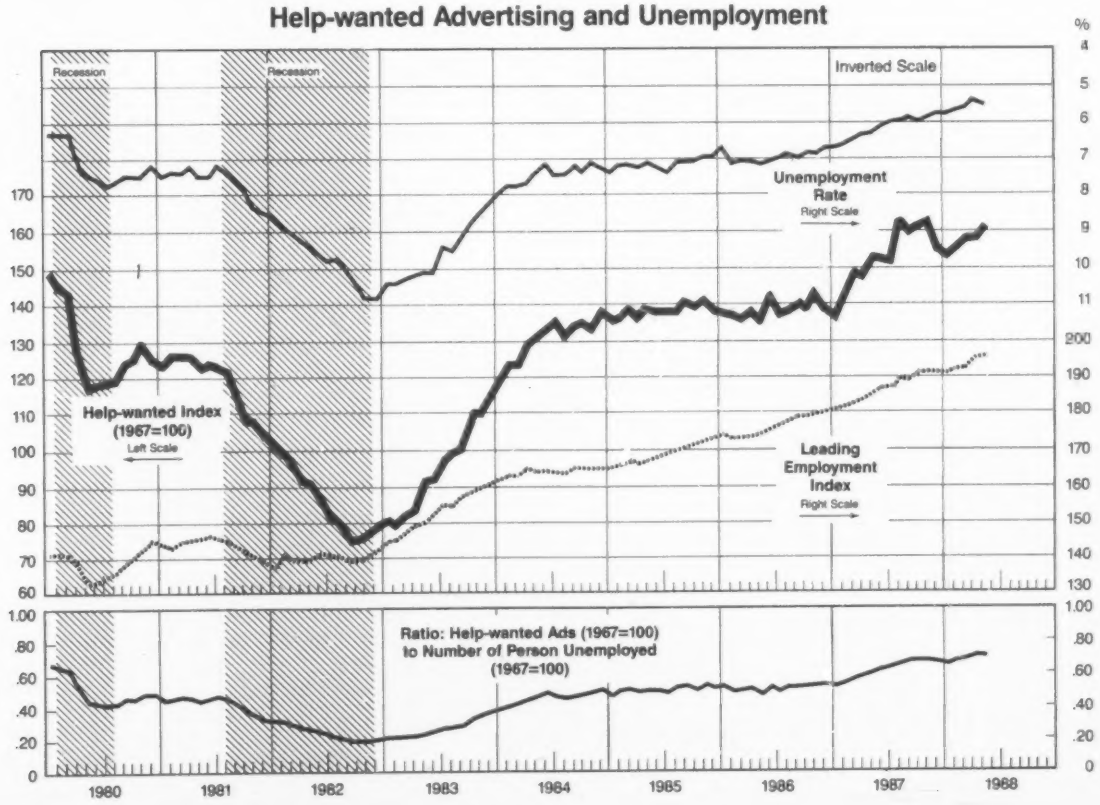
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1988 Apr.	1988 Mar.	1988 Feb.	1987 Apr.
National Index	158	158r	156	149r
New England	161	171	168	186
Boston	151	165	161	183
Hartford	175	191	181	195
Providence	183	174	179	190
Middle Atlantic	87	92	92	84
Albany	223	233	221	202
Allentown	360	420	383	291
New York	60	65	63	65
Philadelphia	76	82	95	75
Pittsburgh	98	92	95	87
Rochester	104	105	98	88
Syracuse	159	151	142	145
East North Central	107	106	105	103r
Chicago	112	116	116	121r
Cincinnati	173	163	187	152
Cleveland	72	69	70	62
Columbus	174	169	171	176r
Dayton	95	90	91	81
Detroit	55	55	54	53
Gary	190	184	178	151
Indianapolis	131	130	112	113
Milwaukee	106	99	96	85r
Toledo	138	134	141	124
West North Central	102	101	98	93
Kansas City	152	150	149	142
Minneapolis	88	90	85	82
Omaha	162	154	146	136
St. Louis	71	67	69	64
South Atlantic	217	211	211	202
Atlanta	287	265	261	262
Baltimore	241	221	224	240
Charlotte	207	208	209	186
Jacksonville	240	227	230	237
Miami	N.A.	171	171	101
Richmond	123	153	147	150
Washington, D.C.	197	201	201	195
East South Central	179	169r	160	162
Birmingham	173	179	178	157
Knoxville	312	307	277	247
Louisville	110	96r	97r	90
Memphis	156	149	140	148
Nashville	215	191	174	221
West South Central	188	192	183	157
Dallas	161	160	168	150
Houston	287	301	261	213
New Orleans	128	124	126	111
Oklahoma City	118	113	119	102
San Antonio	137	139	147	139
Tulsa	137	139	140	122
Mountain	310	310	308	298
Denver	199	199	205	180
Phoenix	430	419	398	436
Salt Lake City	357	372	381	334
Pacific	253	252r	248	238r
Los Angeles	171	173	172	164
Sacramento	470	479	445	457
San Bernadino	N.A.	N.A.	N.A.	276
San Diego	614	601r	595	563r
San Francisco	256	254	251	243
Seattle	24	230	229	225
Percentage of papers with rising volume	59	61	57	41r
Unemployment rate	5.4	5.6	5.7	6.3

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7r	119.2p							

Expectations Index

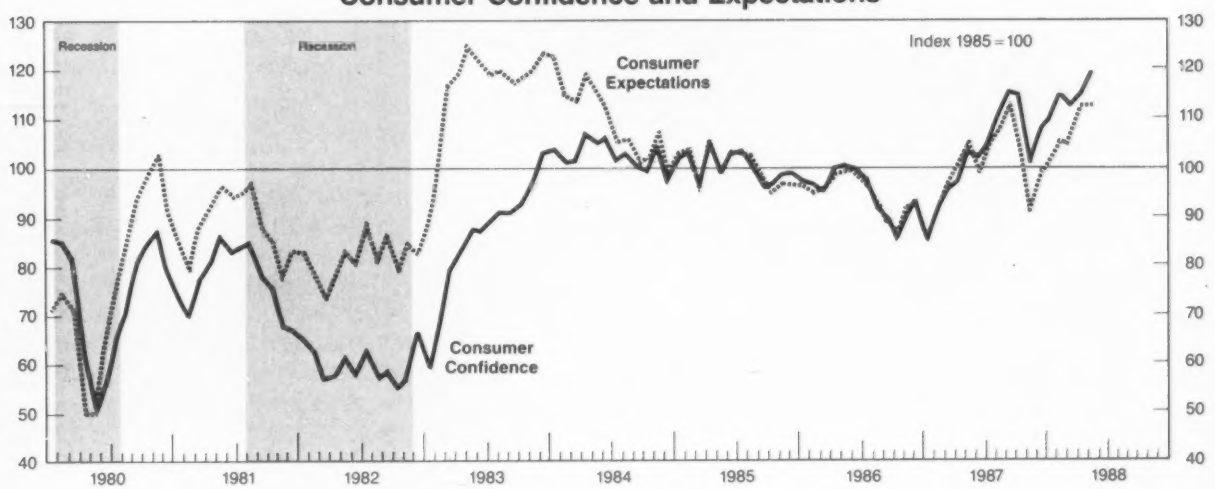
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	95.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8r	112.8p							

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

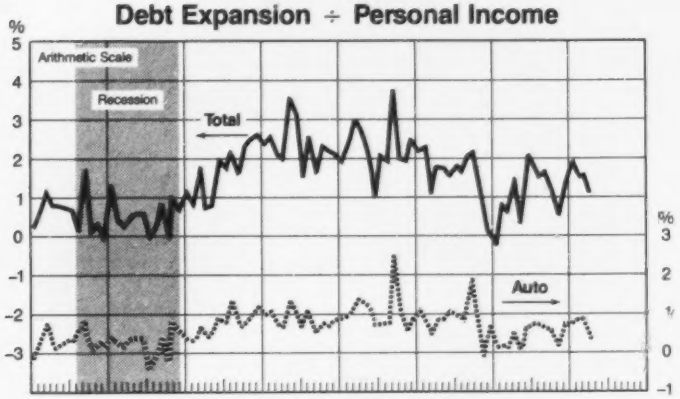
Consumer Confidence and Expectations



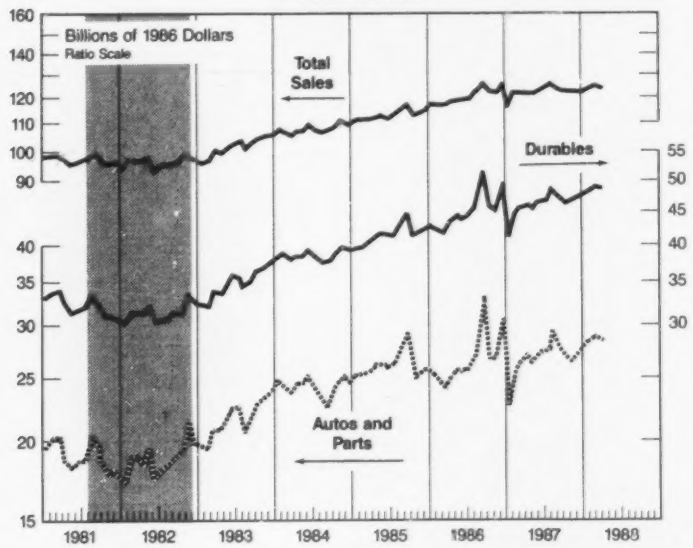
CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes, in LOTUS and other formats. Contact Linette Waters: 800-US-BOARD; in NYC, (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



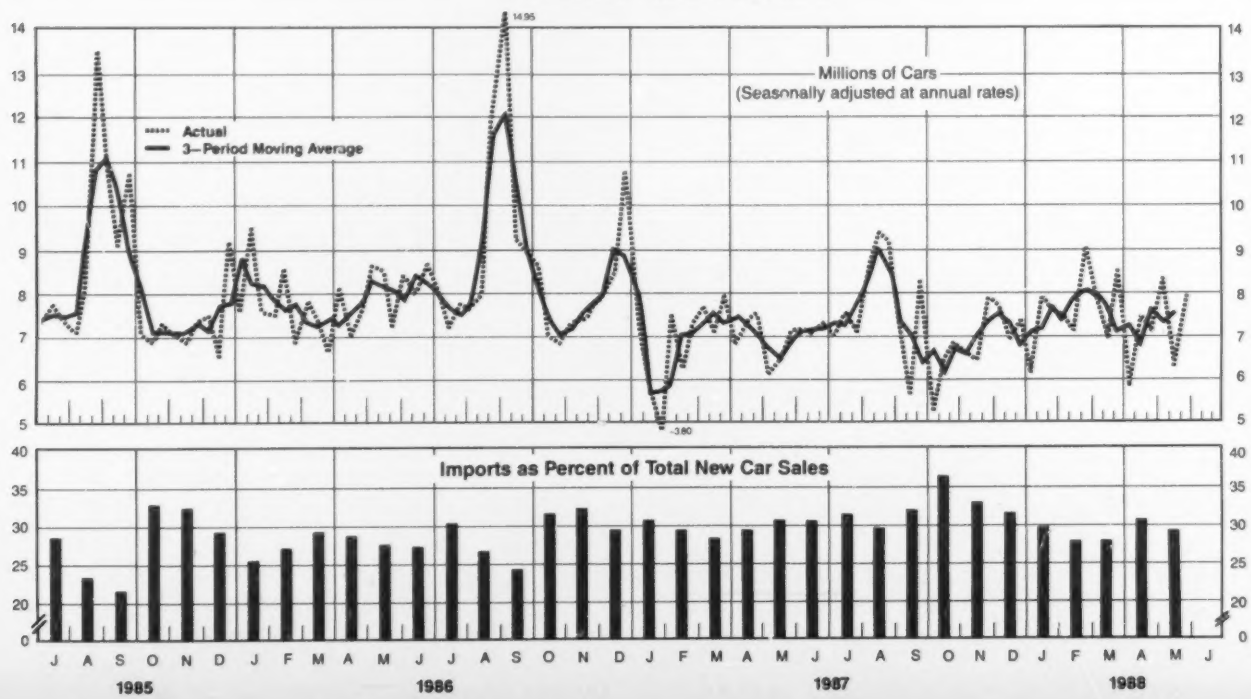
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7 51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	7.45
	21-30	8.03	7.55	7.57	7.04
May:	1-10	7.91	8.63	6.17	8.37
	11-20	8.76	8.56	6.43	6.31
	21-31	8.09	7.22	7.08	7.99
June:	1-10	8.33	8.40	7.14	
	11-20	7.66	8.00	7.10	
	21-30	7.08	8.60	7.27	
July:	1-10	7.38	8.04	7.04	
	11-20	7.75	7.15	7.54	
	21-31	7.38	7.77	7.11	
August:	1-10	7.11	7.63	8.55	
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales


14.95
Millions of Cars
(Seasonally adjusted at annual rates)
Actual
3–Period Moving Average
3.60
Imports as Percent of Total New Car Sales
J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J
1985
1986
1987
1988